

Message Text

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ACTION H-03

INFO OCT-01 EUR-08 ISO-00 SS-07 NSC-06 AID-01 /026 W

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R 150800Z AUG 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 1173

LIMITED OFFICIAL USE BERN 3395

EO 11652: N/A

TAGS: SZ OREP (ST. GERMAIN)

SUBJ: CODEL ST. GERMAIN - BANK REGULATION IN SWITZERLAND

1. THE OFFICIAL SCHEDULE FOR THE CODEL IN BERN INCLUDED AN EMBASSY BRIEFING AND A MEETING WITH SWISS FEDERAL BANKING COMMISSION, SWISS NATIONAL BANK AND CENTRAL GOVERNMENT OFFICIALS, ALL ON AUGUST 12. THE CHARGE GAVE A COCKTAIL PARTY FOR CODEL ON THE EVENING OF THEIR ARRIVAL, AUGUST 11. THE CHARGE AND THE ECONOMIC/COMMERCIAL COUNSELOR PROVIDED THE EMBASSY BRIEFING; THE LATTER ATTENDED THE MEETING WITH SWISS OFFICIALS.

2. THE EXCHANGE OF VIEWS WITH SWISS OFFICIALS WAS VERY USEFUL. CODEL CHARMAIN ST. GERMAIN EXPLAINED THE SUB-COMMITTEE'S CONCERNS VERY CAREFULLY. THE QUALITY OF MUTUAL UNDERSTANDING WAS GREATLY ENHANCED AS A RESULT OF THE VISIT.

3. SPECIFIC AREAS OF INTEREST ON WHICH VIEWS WERE EXCHANGED INCLUDED:

A. GRANDFATHER CLAUSES. THE SWISS ASKED ABOUT GRANDFATHERING. CODEL RESPONSE WAS THAT THE LEGISLATION WOULD IN ALL LIKELIHOOD NOT INTERFERE WITH EXISTING OUTSIDE ACTIVITIES (I.E., THOSE PROHIBITED UNDER GLASSE-STEAGEL) OF SWISS BANKS IN THE UNITED STATES FOR TEN YEARS.

B. WHAT SORT OF NEW LEGISLATION WILL THE SUBCOMMITTEE RECOMMEND? CODEL (ST. GERMAIN) SAID HE DID NOT CONCUR ENTIRELY

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WITH THE BILL SUBMITTED BY THE FEDERAL RESERVE BOARD, GAVE THE

FULL RANGE OF OPTIONS AVAILABLE IN WRITING THE LEGISLATION (FROM ADOPTING THE FRB BILL AS IN TO WRITING A NEW BILL) AND SAID HE HAD NOT DECIDED WHICH OPTION OR COMBINATION OF OPTIONS WOULD BE CHOSEN.

C. RECIPROCITY. THE RECIPROCITY ISSUE WAS FULLY EXPLORED, AND THE SWISS ONCE AGAIN MADE CLEAR THAT THEY WOULD EXAMINE APPLICATIONS FOR LICENSES FROM AMERICAN BANKS IN THE LIGHT OF ANY NEW AMERICAN LEGISLATION AND ON THE BASIS OF THE RECIPROCITY TEST NOW APPLICABLE IN SWITZERLAND TO FOREIGN BANKS REQUESTING LICENSES. ASKED WHETHER THE SWISS LOOK AT STATE LAWS IN ASSESSING THE QUESTION OF RECIPROCITY, DR. MATTER, CHAIRMAN OF THE BANKING COMMISSION, SAID THAT THEY DO AND THAT APPLICATIONS HAVE BEEN DENIED ON THAT BASIS.

D. AMERICAN BANKING ACTIVITIES IN SWITZERLAND. ASKED WHETHER AMERICAN BANKS IN SWITZERLAND ENGAGE IN UNDERWRITING AND DIRECT TRADING IN SECURITIES IN SWITZERLAND, DR. MATTER SAID THEY ARE PERMITTED TO DO SO BY LAW, AND THAT HE KNEW OF NO GENTLEMEN'S AGREEMENT WHICH WOULD PREVENT THEM FROM DOING SO.

E. CRITERIA FOR APPROVAL OF A LICENSE. THE ANSWER TO THE QUESTION WHETHER THE SWISS CONSIDER THE SIZE AND REPUTATION OF THE PARENT U.S. BANK IN PASSING ON A LICENSE APPLICATION WAS AFFIRMATIVE.

F. STATISTICS. THE SWISS WERE UNABLE TO GIVE ANY STATISTICS ON THE SHARE OF AMERICAN BANKS IN THE SWISS BANKING INDUSTRY.

G. EXAMINATION OF FOREIGN BRANCHES OF SWISS BANKS. THE ANSWER TO THE QUESTION WHETHER THE SWISS EXAMINE SWISS BANKING OPERATIONS ABROAD WAS THAT THEY DO NOT.

H. EXAMINATION OF AMERICAN BANKS IN SWITZERLAND. ASKED ABOUT SWISS REACTION SHOULD U.S. LAW REQUIRE THE EXAMINATION OF AMERICAN BANKS IN SWITZERLAND, THE SWISS SAID THIS WOULD BE CONTRARY TO SWISS LAW AND LIMITED OFFICIAL USE

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WOULD NOT BE PERMITTED.

I. TREATMENT OF AUDITS OF AMERICAN BANKS IN SWITZERLAND. THE SWISS WERE ASKED WHETHER AN INTERNAL AUDIT REPORT OF AN AMERICAN BRANCH OR SUBSIDIARY, MADE IN ACCORDANCE WITH SWISS LAW, COULD BE GIVEN TO THE AMERICAN PARENT. THE RESPONSE WAS THAT IT COULD, BUT IT WOULD BE UP TO THE BANK; ONCE GIVEN TO THE

BOARD OF THE BANK OPERATING IN SWITZERLAND, THE
JURISDICTION OF THE BANKING COMMISSION WAS AT AN END
(PROVIDED DEFICIENCIES, IF ANY, WERE CORRECTED).
HOWEVER, DEPENDING ON THE CONTENT OF THE AUDIT REPORT
AND THE USE MADE OF IT BY THE PARENT, THE LOCAL
BRANCH AND ITS BOARD COULD BECOME LIABLE TO ACTION
UNDER THE SWISS COMMERCIAL SECRECY LAWS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 15 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BERN03395
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750282-0684
From: BERN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750846/aaaabocp.tel
Line Count: 123
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION H
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 JUN 2003 by CunninFX>; APPROVED <07 NOV 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CODEL ST. GERMAIN - BANK REGULATION IN SWITZERLAND
TAGS: OREP, SZ, (ST GERMAIN, FERNAND J)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006